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MEMORANDUM

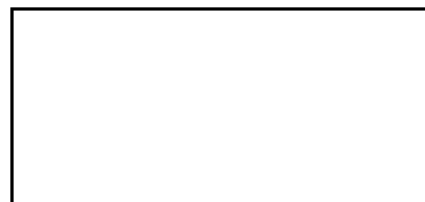
SUBJECT: Romania: A Situation Report

The predominance of head of state and Secretary General of the ruling communist party, Nicolai Ceausescu remains unchallenged. We are not aware of any individual or faction within the leadership that could challenge his position. The personality cult that enshrines him is rivaled only by that of North Korea's Kim Il-song.

Ceausescu's principal foreign policy objective is to retain as much independence from Moscow as possible, given geopolitical realities. In line with this goal, Ceausescu has been trying to build a "special relationship" with Washington; he believes closer political and economic ties with the US will help Romania fend off pressures from the Soviets for closer integration with the Warsaw Pact and CEMA. At the same time, Ceausescu seeks to keep balanced relations with all of the major powers. He has just hosted an official visit by China's Hua Kuò-feng, during which agreements were signed for increased cooperation in many areas, including economic. The Soviets were visibly annoyed by the visit, but the Romanians handled it in such a way that the Soviets could find little specific to criticize. On the eve of the visit Ceausescu had discussed the visit with Soviet party chief Brezhnev when, he like the other heads of the Warsaw Pact states, paid his traditional vacation visit to Brezhnev in the Crimea. Romania's relations with the Soviets thus remain in adequate repair, though they are somewhat tattered at the moment.

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Ceausescu is eager to maintain his country's active participation in world affairs, but Romania's recent foreign policy performance has not all been successful. Bucharest has not been able to make an imprint on the CSCE proceedings, and it is finding it difficult even to get a foot in the door of the nonaligned movement, in which it would like to play a role.

Ceausescu has a deserved reputation as an effective behind-the-scenes arbitrator of international disputes. He helped arrange the Sadat-Begin meeting last winter, and can be relied upon to continue his conciliatory attempts in the Middle East. In a trip to the Far East last May, Ceausescu apparently got involved in Korean matters and in the conflict between the three states of Indochina. In sum, he relishes a role as mediator, which, he believes, gives him prestige as an international statesman and buttresses Romania's defense against Soviet domination.

Ceausescu keeps leading party and government functionaries under control and off balance by periodically rotating his top personnel. Although these arbitrary shifts, as well as the elevation of relatives to high party posts, have caused resentment within the hierarchy, the grumbling remains within bounds.

The regime continues to maintain perhaps the most authoritarian domestic controls of any of the Warsaw Pact states. Bucharest's tactics in dealing with the small manifestation of dissidence that formed around author Paul Goma last year was to isolate individual dissidents and allow them to emigrate. The movement collapsed. Dissident Baptist and Pentecostal groups, on the other hand, persist and are harassed, though not to a point where severe embarrassment could result.

Instances of workers' unrest also persist and represent a potentially more serious challenge to Ceausescu's authority. Consumer difficulties occasionally spark worker unrest, the most serious being a three-day slowdown at the Jiu Valley coal mines in August 1977 over payless overtime and poor housing. Early this year there were reports of restlessness also among Romania's approximately two million Magyars. This minority is disturbed over alleged cultural and educational discrimination and what the Magyars perceive as a systematic Romanian effort to gradually assimilate all national minorities.

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Ceausescu has reacted to these symptoms of popular discontent with an extensive reorganization of the state security apparatus. He is believed to have personally assumed the security portfolio on the party secretariat last March. This, together with other high-level personnel changes in the Interior Ministry are indicative of Ceausescu's dissatisfaction with the security service, a dissatisfaction that was no doubt heightened by the defection in July of one of the service's chief officials.

A major problem facing Bucharest is the need to boost imports of fuels and industrial raw materials to supplement Romania's diminishing resources. At the same time, Romania faces difficulties in expanding its exports to the West to help pay for such imports. Exports of oil products--a major hard currency earner--are expected to drop as domestic consumption rises. Moreover, Romania faces slow economic recovery and increasing protectionism in its Western markets. Unless exports to the West can be raised sharply, Romania will be unable to import the necessary crude oil and industrial materials without further cutting imports of Western machinery and equipment. To do so, would threaten Romania's long-term economic growth.

Romania's growing resource constraints have compelled Bucharest to intensify conservation efforts and introduce experimental measures to improve the efficiency and quality of production both for domestic consumption and export. The program aims at expanding enterprise responsibility and self-reliance while retaining strong central control. These efforts, even if successful, will help little in the short run. Romania also is plagued with shortages of housing and acceptable consumer goods. Sporadic shortages of meat, butter, and other quality foods occur because of diversion to the export market.

In an effort to facilitate the program, Ceausescu undertook a major reshuffle of the hierarchy last March. The shifts involved mainly the top officials of the planning, foreign trade, finance, and industrial construction sectors. (Nicolescu was appointed finance minister at that time.) The scope of the transfers, which included some of Ceausescu's closest associates, suggests that he is making an all-out attempt to put the economy on a better footing.

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